

Intermediate Macroeconomic Theory

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Lecture 1: Overview

Overview

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Theory

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Overview: the syllabus

What does Macro do?

Why should we care?

a) Sample Issues & signal issues

- 100 years ago, Argentina was among the five or ten richest countries, Japan was just middle income.

Now their positions are reversed.

Why?

- The real (inflation-adjusted) income of the median U.S. household is the same now as it was 20 years ago.

Real Income for the richest 1% of households has more than doubled.

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- How does the Fed policy influence inflation? The value of the dollar abroad? The stock market? Recessions?
- What causes financial crises and what policies will cure them?
- Why has Japan been in a recession since 1990?
- Other issues (class discussion)
- Why is US public debt so large and growing?
 - World's safest asset: in high demand by investors everywhere
 - Politicians love high spending and low taxes = kicking the "can" down the road